

STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

AMENDED APPLICATION OF MEWBOURNE OIL COMPANY FOR A NON-STANDARD SPACING AND PRORATION UNIT AND COMPULSORY POOLING, EDDY COUNTY, NEW MEXICO

CASE NO. 14516

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: WILLIAM V. JONES, Presiding Examiner

July 22, 2010

Santa Fe, New Mexico

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This matter came on for hearing before the New Mexico Oil Conservation Division, WILLIAM V. JONES, Presiding Examiner, on Thursday, July 22, 2010, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South St. Francis Drive, Room 102, Santa Fe, New Mexico.

REPORTED BY: Jacqueline R. Lujan, CCR #91
Paul Baca Professional Court Reporters
500 Fourth Street, N.W., Suite 105
Albuquerque, NM 87103 505-843-9241

A P P E A R A N C E S

FOR THE APPLICANT:

OCEAN MUNDS-DRY, ESQ.
HOLLAND & HART, LLP
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Santa Fe, New Mexico 87501
(505) 988-4421

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EXHIBITS 1 AND 2 WERE ADMITTED

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REPORTER'S CERTIFICATE

8

1 EXAMINER JONES: Let's go back on the
2 record and call the next case. We jumped forward in the
3 docket to Case 14516, amended application of Mewbourne
4 Oil Company for a non-standard spacing and proration unit
5 and compulsory pooling, in Eddy County, New Mexico. Call
6 for appearances.

7 MS. MUNDS-DRY: Good morning, Mr.
8 Examiner. Ocean Munds-Dry with the law firm of Holland &
9 Hart, here representing Mewbourne Oil Company this
10 morning.

11 EXAMINER JONES: Any other appearances?

12 MS. MUNDS-DRY: Mr. Jones, I am presenting
13 this case by affidavit. I put before you an exhibit
14 packet. Exhibit 1 is the affidavit of Paul Haden, who is
15 the landman employed by Mewbourne and is familiar with
16 the status of the lands in the north half/north half
17 equivalent of Section 4, Township 20 South, Range 29
18 East, N.M.P.M., Eddy County, New Mexico.

19 Mr. Haden outlines Mewbourne's efforts to
20 reach voluntary agreement or to locate certain interest
21 owners who have not been found. This pooling and
22 non-standard unit application has been brought solely to
23 pool working interest owners who do not oppose the
24 application or, as I mentioned, who cannot be found.

25 Attachment A to the affidavit is a plat of the

1 subject lands that shows the well location. And you'll
2 see on the plat that the project area is highlighted in
3 yellow, and the well is drawn in a red color.

4 Mewbourne plans to dedicate its Burton 4
5 Federal Well Number 3H to the proposed 160-acre spacing
6 unit and project area, which will be drilled from a
7 surface location 810 feet from the north line and 200
8 feet from the east line, to a total vertical depth of
9 approximately 7,909 feet, and then in a westerly
10 direction in the Bone Spring formation to a bottomhole
11 location 660 feet from the north line and 330 feet from
12 the west line of Section 4.

13 Attachment B to the application is a table
14 which lists the nature and percentage of ownership
15 interest in the proposed project area.

16 Attachment C is a summary of communication
17 that Mr. Haden prepared. It includes not only the dates
18 that he contacted those interest owners that he was able
19 to locate, but, also, provides copies of the letters that
20 he provided to those interest owners with the green
21 cards. So you'll see for each interest owner that we are
22 seeking to pool today, that he's included that
23 information in Attachment C.

24 Attachment D is the AFE for the well. It
25 shows a total well cost of \$3,035,800.

1 Attachment E to the affidavit is an affidavit
2 of publication showing that notice was given in the
3 newspaper and lists the names of the parties that we were
4 unable to locate addresses for. Even though Mr. Brooks
5 is not here, we want to keep him happy. Also, in this
6 packet, it includes the notice letter that was sent to
7 the parties we did have addresses for. It includes the
8 notice letter for both the pooling and for the
9 non-standard unit, and provides their addresses and
10 copies of the green cards, as well.

11 Mewbourne proposes overhead charges of \$6,000
12 a month while drilling and \$600 a month while producing.
13 Mewbourne requests that the interests outlined in the
14 affidavit be pooled and that Mewbourne be designated the
15 operator.

16 Exhibit 2 is the affidavit of David Rawlins,
17 who is the petroleum geologist for Mewbourne who is also
18 familiar with the geology in the north half/north half
19 equivalent of Section 4.

20 Attachment A to his affidavit is a structure
21 map, which shows that the horizontal objective trends in
22 a northeast to a southwest direction in -- I should say
23 it's a structure map on top of the second Bone Spring.

24 Attachment B to the affidavit is the
25 horizontal drilling plan for the well. And Mr. Rawlins

1 testifies in his affidavit that a horizontal wellbore
2 will test a greater reservoir length and increases the
3 chances for an economic completion.

4 He also testifies that all four
5 quarter/quarter sections in the unit are prospective in
6 the Bone Spring, and that Mewbourne anticipates producing
7 reserves from each quarter/quarter section.

8 In case I didn't mention it earlier, Mr. Haden
9 also testified that he believes the granting of this
10 application will avoid the drilling of unnecessary wells,
11 will prevent waste, will protect correlative rights, and
12 allow Mewbourne and the other interest owners in the
13 north half/north half of Section 4 to obtain their just
14 and fair share underlying the subject lands.

15 With that, Mr. Jones, I would move the
16 admission of Exhibit 1 and all of its attachments and
17 Exhibit 2 and its attachments into evidence.

18 EXAMINER JONES: Exhibits 1 and Exhibits 2
19 with all attachments to each will be admitted.

20 (Exhibits 1 and 2 were admitted.)

21 MS. MUNDS-DRY: And I stand ready to
22 answer any questions you may have.

23 EXAMINER JONES: Okay. You covered it
24 pretty thoroughly there. There's no non-standard
25 location involved in this?

1 MS. MUNDS-DRY: Not in this application.

2 EXAMINER JONES: Okay. So it's just a
3 pooling, and Mewbourne owns interest in all four -- I
4 think I read that and you probably said that.

5 MS. MUNDS-DRY: Yes.

6 EXAMINER JONES: The main parties that
7 didn't -- that could be found that didn't want to join,
8 do you know who they are?

9 MS. MUNDS-DRY: Yeah. They're listed -- I
10 think the best way to look at those parties is on
11 Attachment C. And Mr. Haden lists Mary Gardiner Miller,
12 Bivins Energy Corporation, and then the other lost
13 interest owners, Howard Warren and Mill Neck Associates.

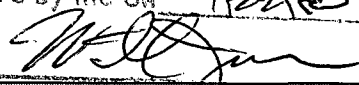
14 EXAMINER JONES: Okay. Some could not be
15 found, but some could be found and didn't join; is that
16 correct?

17 MS. MUNDS-DRY: Yes.

18 EXAMINER JONES: Okay. I have no more
19 questions.

20 MS. MUNDS-DRY: We'd ask this matter be
21 taken under advisement.

22 EXAMINER JONES: Okay. Case 14516 will be
23 taken under advisement.

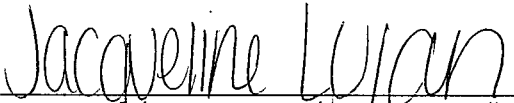
24 I do hereby certify that the foregoing is
a complete record of the proceedings of
the Examiner hearing of Case No. 14516
heard by me on 7/25/10
 Examiner

REPORTER'S CERTIFICATE

I, JACQUELINE R. LUJAN, New Mexico CCR #91, DO
HEREBY CERTIFY that on July 22, 2010, proceedings in the
above captioned case were taken before me and that I did
report in stenographic shorthand the proceedings set
forth herein, and the foregoing pages are a true and
correct transcription to the best of my ability.

I FURTHER CERTIFY that I am neither employed by
nor related to nor contracted with any of the parties or
attorneys in this case and that I have no interest
whatsoever in the final disposition of this case in any
court.

WITNESS MY HAND this 4th day of August, 2010.


Jacqueline R. Lujan, CCR #91
Expires: 12/31/2010